

CHAPTER I: MINISTRY OF COMMERCE AND INDUSTRY

Department of Industrial Policy and Promotion

1.1 Transport Subsidy Scheme

The Transport subsidy scheme was launched in the year 1971 to promote industry in remote hilly and inaccessible areas. Under the scheme subsidy ranging between 50 to 90 per cent is admissible on transport cost incurred on movement of raw material and finished goods. The failure of the Ministry in exercising diligent financial scrutiny/sanction resulted in questionable payment of Transport Subsidy amounting to Rs 177.68 crore. In states like Assam (Rs 110.60 crore) and Arunachal Pradesh (Rs 17.93 crore) these were 83 per cent and 73 per cent respectively of the total expenditure. The claims of industrial units were admitted without verifying the relevant documents. District/State Level Committee meetings were held at unduly long intervals ranging between one to five years leading to numerous legal cases. The Ministry or any of concerned State Governments did not assess the impact of subsidy disbursed to industrial units on industrial growth.

Highlights

The scheme was applicable for a period of five years from the date of commencement of commercial production. However, reimbursement of transport subsidy of Rs 31.05 crore was made even beyond the prescribed period of five years.

Payment of transport subsidy of Rs 11.70 crore was made to certain industrial units who had violated the "Forest Conservation Act" and also the orders of the Hon'ble Supreme Court.

The functioning of the scheme entailed due diligence in scrutiny of claims preferred by industrial undertakings. However, there was no detailed scrutiny of the claims. As a result irregular, inadmissible and excess payment of transport subsidy amounting to Rs 8.21 crore was made.

Direct payment of Rs 85.13 crore was made by the Ministry to Industrial units as well as the disbursing authorities without any scrutiny in violation of the laid down procedure. Compliance reports from the disbursing authorities about the actual payment and utilisation certificates were awaited.

Advance payment of subsidy to the extent of Rs 37.35 crore was made irregularly to the State Governments of Assam, Arunachal Pradesh and an Industrial Unit. Claims against these advance payments and utilisation certificates were awaited.

Reimbursement of transport subsidy amounting to Rs 2.03 crore without the approval of the competent authority was made to State Government of Himachal Pradesh.

Payment of transport subsidy of Rs 2.21 crore was made for time barred claims.

Delay in payment of TS ranging from one to 61 months and two to 17 months by State/Central Government.

The Scheme was not monitored by the DIPP. The DIPP or any of the concerned State Governments did not assess the impact of subsidy disbursed by them on the basic objective of promoting industrialisation of the hilly, remote and inaccessible areas.

1.1.1 Introduction

The centrally sponsored Transport Subsidy Scheme (TSS) was introduced in 1971 to promote industrialisation of hilly, remote and inaccessible areas. The Department of Industrial Policy and Promotion (DIPP) of the Ministry of Commerce and Industry of the Government of India administers the scheme. It applies to Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Jammu and Kashmir, Himachal Pradesh, Sikkim, Darjeeling District of West Bengal, eight districts of Uttaranchal viz. Almora, Chamoli, Dehradun, Nainital, Pauri Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi and the Union Territories of Andaman and Nicobar Islands and Lakshadweep. The concerned States and Union Territories implement it. The present extended TSS commenced from 1 April 2000 and would last up to 31 March 2007.

1.1.2 Operational profile

The scheme is applicable to all industrial units, both private and public sector barring plantation, refineries and power generating units irrespective of size.

Under the scheme, subsidy ranging between 50 to 90 *per cent* is admissible on the transport cost incurred on movement of raw material and finished goods from the designated rail heads/ports up to the location of the industrial units and vice-versa for a period of five years from the date of commencement of commercial production.

To operate the scheme, the State Government/Union Territory Administration should constitute a State Level Committee (SLC) consisting of Director of Industries, a representative each of the State Industries Department and the State Finance Department etc. A representative of the DIPP would also be nominated. In October 1978, the DIPP delegated the powers to District Level Committee (DLC) for sanctioning transport subsidy up to Rs 20,000 per quarter per unit in selected backward districts covered under the TSS (revised to Rs 50,000 in July 1987).

1.1.3 Financial arrangements

The Government of India has spent Rs 530.77 crore on the TSS till 31 March 2000. Of this Rs 144.46 crore was expended up to March 1994 and Rs 386.31 crore during the last 5 years.

The scheme works on disbursement/reimbursement basis i.e. subsidy claims are first scrutinised and disbursed by the State Government to the eligible units and reimbursement claimed thereafter from the Central Government. The Development of Backward Area (DBA) Division of DIPP coordinates the administration of TSS. The reimbursement claims received in DIPP are first scrutinised by the DBA Division, which thereafter obtains the approval of the competent financial authority with the concurrence of Integrated Finance.

1.1.4 Scope of Audit

The audit review seeks to evaluate the administration of the TSS by the DIPP with reference to its implementation in the States and Union Territories during the period from 1994-95 to 1999-2000. For this purpose, the audit examined records in the DIPP and the concerned nodal departments in the State Government. The examination involved scrutiny of over 5000 cases of reimbursement of Rs 386.31 crore of transport subsidy sanctioned by DIPP during this period as detailed in **Annex - I**.

1.1.5 Implementation of the scheme

The scheme provides that TS claims of industrial units will be scrutinised by a State/Union Territory Level Committee with a nominee of the DIPP. It was, however, observed that the meetings of SLC finalising the claims of industrial units were not attended by the representative of the DIPP. Resultantly the State Governments, on several occasions did not follow the provisions of the scheme while finalising the subsidy claims. Further there was no detailed scrutiny of the claims at the DIPP including the Integrated Finance. The position in this regard worsened due to the fact that the scrutiny of these claims at the state level was glaringly deficient in many respects. For example, the claims of the industrial units were admitted by SLC for disbursement without verifying the relevant documents such as goods receipts and consignment notes, documents for the purchase of raw materials and sale of finished goods, check-post entry, electricity consumption *vis-à-vis* actual productions, central sales tax/excise payment certificate, etc. The Audit examination revealed questionable reimbursements totalling Rs 177.68 crore i.e. about 46 *per cent* of the total payments as detailed below:

Rs in crore

Name of the State/UT	Expenditure	Questionable reimbursement
Assam	131.35	110.60
Manipur	1.76	0.07
Tripura	3.20	0.06
Arunachal Pradesh	24.42	17.93
Meghalaya	19.75	3.24
Nagaland	28.56	9.49
Mizoram	11.28	4.03
Sikkim	2.90	--
Himachal Pradesh	131.09	32.25
Jammu and Kashmir	18.14	0.01
Uttar Pradesh	7.32	--
Andaman and Nicobar	5.74	--
Lakshadweep	--	--
W. Bengal (Darjeeling)	0.80	--
Total	386.31	177.68

Succeeding paragraphs detail some of these cases:

1.1.6 Reimbursement of subsidy beyond the prescribed limit of five years period

Reimbursement of Rs 31.05 crore beyond the prescribed period of five years.

As per the amendment made to the Scheme in July 1993, effective from 1 April 1995 the scheme was applicable for a period of five years from the date of commencement of commercial production. i.e. all those units, which had completed five years of production as on 31 March 1995, were ineligible for further benefits under the scheme. Units, which had commenced commercial production within a period of five years prior or after 1 April 1995 would cease to be eligible once the five year period had elapsed or the expiry of the scheme whichever was earlier. The DIPP further clarified in August 1996 that the Transport Subsidy on original capacity and expansion effected would be admissible for a total period of five years reckoned from the date of production of the original unit. Scrutiny of records, however, revealed that subsidy amounting to Rs 31.05 crore was reimbursed to the State Governments of Himachal Pradesh, Mizoram and Meghalaya in respect of five industrial units as per details given below although these units ceased to be eligible for the transport subsidy with effect from 1 April 1995:

Rs in crore

Name of the State	Name of the Industrial Unit	Amount reimbursed	Date of reimbursement
Himachal Pradesh	M/s. Associated Cement Company Ltd., Gagal	30.22	8/98 to 9/99
Mizoram	M/s. J.R. Brother Offset Printers and Paper Works	0.09	5/98 and 6/99
Meghalaya	M/s. Jaintia Cements	0.62	3/99
Meghalaya	M/s. Mullum Saw Mills	0.01	3/99
Meghalaya	M/s. Marsyiemlimu Works	0.11	3/99
Total		31.05	

The above payment of Rs 31.05 crore made to the said units was incorrect and needs recovery immediately.

The DIPP stated (November 2000) that M/s. Associated Cement Company Ltd. (ACC) had set up two separate units at Galgal, Himachal Pradesh i.e. Galgal I unit and Galgal II unit. The DIPP added that Galgal II unit was commissioned in 1993 and went into commercial production on 15 September 1994. Galgal II unit was a separate entity distinct from Galgal I unit and was, therefore, eligible for transport subsidy for the period from 15 September 1994 to 14 September 1999. It was, however, noticed that although Galgal II unit went into commercial production on 15 September 1994, it got itself registered with the State Government for the grant of subsidy under Transport Subsidy Scheme only on 25 April 1997. But even prior to this M/s. ACC continued claiming Transport Subsidy in respect of Unit I and Unit II in a consolidated form upto 31 March 1995; and the State Government of Himachal Pradesh continued to claim reimbursement even after 1 April 1995 (the day from which Galgal I unit ceased to be eligible for the subsidy). The DIPP's argument that Galgal II was a separate legal entity distinct from Galgal I unit was also not found to be correct. The Galgal II unit, on the other hand, was a case of substantial expansion of Galgal Unit I on account of the following:

- Galgal Unit I and II are located at the same place and use the same infrastructure and office facilities. It is not possible to identify or segregate the raw materials being brought in and the finished goods exported.
- Galgal II unit belongs to the same company and was doing exactly the same business of Unit I and functioning from the same premises.
- The ownership of both the units is the same and only one consolidated balance sheet is prepared taking Galgal I and II units together.
- The Sales Tax registration and Pollution Control certificate issued by the State Authorities do not distinguish between the two units.
- It was also noticed that in January 1993, M/s. ACC had filed an Industrial Entrepreneur Memorandum (IEM) for effecting substantial expansion of the unit at Galgal from 7.60 lakh TPA to 10 lakh TPA. The commercial production was stated to commence from 31 October, 1993. M/s. ACC withdrew this IEM subsequently and a fresh IEM in March 1993 was filed to set up Galgal II unit with a capacity of 10 lakh TPA. It was stated that Galgal II was a new unit. However, the date from which commercial production was to start remained the same viz. 31 October 1993. It would appear that M/s. ACC was seeking to take advantage of the Transport Subsidy Scheme for an extended period, as a proposal to restrict the subsidy to a maximum period of five years was under consideration of the Ministry at that time.
- The minimum gestation period for a new cement plant to commence production normally is not less than two to three years. It is not clear

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how Galgal II, which is stated to be a new unit, could commence production within a period of 18 months. This can be achieved only when it is a case of substantial expansion.

Audit also observed that a meeting was convened on 26 June 2000 by the DIPP to consider whether Galgal II unit was to be treated as a separate unit or a case of substantial expansion. The meeting was also attended by officials of Himachal Pradesh Government and representatives of M/s. ACC. The issue relating to the payment of T.S. was to be sorted out between the DIPP and the State Government of Himachal Pradesh. In such circumstances, the propriety of M/s. ACC participating in the meeting was questionable.

The TSS seeks to promote the development of industry in remote and inaccessible areas. The intention of the Scheme is to grant subsidy for a period of five years whereafter the unit becomes self-sufficient to meet its transportation costs in full. Units can not undertake substantial expansion and claim to be new units for the purpose of claiming Transport Subsidy.

The payment of Rs 30.22 crore made to M/s. ACC was incorrect and needs recovery immediately

1.1.7 Incorrect reimbursement of subsidy to units who had violated the provisions of Forest Conservation Act

Reimbursement of Rs 11.70 crore in violation of 'Forest Conservation Act'.

The DIPP sanctioned during the period from January 1997 to March 1999 reimbursements of transport subsidy totalling Rs 9.84 crore to the Governments of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya and Nagaland in respect of 60 units, as detailed in **Annex-II**, even though these units were engaged in illegal wood based industries within the forest land thereby violating the Forest Conservation Act, 1980. The DIPP did so even though the Supreme Court of India, acting on a public interest petition, had directed in December 1996 stoppage of all non-forest (industrial) activity within the forests in any state without prior approval of the Central Government in affirmation of the said Act, and despite the Departmental orders that no transport subsidy should be paid/reimbursed to industries who violated the law and said orders of the Supreme Court. Two amongst the said units in Arunachal Pradesh, in respect of whom the DIPP reimbursed the claim totalling Rs 1.86 crore in June 1999 had been penalised for violation of the law by the High Powered Committee set up by the Supreme Court. The Principal Chief Conservator of Forest, Arunachal Pradesh had also made a specific request to his State Government for not paying these units the transport subsidy.

The DIPP stated (November 2000) that the reimbursement claims pertained to the period prior to the orders of the Hon'ble Supreme Court dated December 1996. The reply is not tenable since the Apex Court had only reiterated the provisions of the Forest Conservation Act, 1980.

1.1.8 Reimbursement of irregular, inadmissible and excess Transport Subsidy

Payment of Rs 6.38 lakh on product not covered under the scheme.

1.1.8.1 Plantations are not covered under the TSS. However, the DIPP reimbursed claims of Rs 6.38 lakh submitted by the Government of Tripura in respect of Tea Estates for exporting black tea produced by them. The DIPP stated (November 2000) that they made the reimbursement based on a clarification from the Department of Commerce to the effect that tea processing/manufacturing is not a plantation activity. The contention of the DIPP is not correct as they, in fact, later over ruled the clarification given by the Department of Commerce and decided not to make reimbursement in respect of claims relating to tea estates. Since plantation is not covered under the scheme, the payment amounting to Rs 6.38 lakh to Tripura Government was irregular and needs to be recovered.

Irregular payment of Rs 1.85 crore for inadmissible raw materials.

1.1.8.2 The DIPP clarified in March 1987 that claim of transport subsidy for movement of coal is inadmissible if coal is used exclusively as a fuel. DIPP reimbursed Rs 1.26 crore to Assam Government towards the claim of a cement company, M/s. Vinay Cement at Umramgshu knowing fully well that the unit utilised coal as fuel. The reply of DIPP that comments have been sought from state government is not relevant because DIPP decided to pay. The payment is inadmissible and should be recovered from M/s Vinay Cement.

1.1.8.3 Six industrial units engaged in manufacturing of industrial lime, in Meghalaya State during 1994-95 to 1998-99, imported coal from outside North Eastern Region and used it as fuel for burning out lime stone to make it fit for the paper units as its raw material. These units claimed subsidy of Rs 58.79 lakh, which was disbursed by the State Government on the recommendation of SLC. DIPP reimbursed the subsidy claim although it was not admissible under the scheme. This was irregular and needs recovery immediately.

Reimbursement of Rs 1.10 crore for inadmissible transport cost.

1.1.8.4 As per the Scheme, only the cost of transportation of raw-material into the State and transportation of finished products outside the State by road/rail is to be subsidised. Scrutiny of records revealed that the State Governments of Meghalaya and Arunachal Pradesh during 1994-96 and 1998-99 disbursed a sum of Rs 38.39 lakh and Rs 71.70 lakh respectively to six industrial units as transport subsidy for transportation of their finished products through Railways outside the North Eastern Region (NER). Examination of records viz Railway Receipts (RRs) submitted by these industrial units in support of their claims, however, revealed that the cost of transportation of finished products outside NER through Railways was not borne by these industrial units since the finished products were sent through Railway on 'freight to pay' basis i.e. the transportation cost was borne by consignees themselves. Thus the payment of transport subsidy amounting to Rs 1.10 crore was incorrect and should be recovered. The DIPP stated (November 2000) that the State Governments had been asked to furnish their comments in the matter. The DIPP's reply is indicative of lack of diligence in scrutiny of claims.

1.1.8.5 TS amounting to Rs 4.34 crore was paid to M/s. Mahabir Coke Industries, Guwahati on 8 January, 1999 and 29 April, 1999 for transportation

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Payment of Rs 39.06 lakh on utilisation of raw material in excess of prescribed norms.

of 12, 96, 151.35 M.T. of raw material viz. coal. Out of this, the unit manufactured 7,96,650.53 M.T. of LAM Coke as finished product which works out to 61 *per cent* of the raw material as against the prescribed conversion norms of 70 *per cent*. This resulted in overpayment of TS amounting to Rs 39.06 lakh (nine *per cent* of Rs 4.34 crore) as the subsidy on raw material is allowed only to the extent of its actual utilisation in making the finished product.

Irregular payment of Rs 3.47 crore without fulfillment of the provisions of the scheme.

1.1.8.6 The DIPP reimbursed to the Mizoram Government Rs 3.47 crore under the scheme in June and October 1999 for subsidy claims pertaining to 1996 on import of raw materials by 181 industrial units. This was wrong as the State Government had paid the claimants without the units producing the certificate of a registered Chartered Accountant as proof of raw materials 'imported' into the NER, as prescribed in the scheme. Even the accounts of any of these units were not certified by Chartered Accountants or any other authorised agency.

Inadmissible payment of Rs 1.34 crore in excess of the approved manufacturing capacity.

1.1.8.7 According to the provisions of TSS, both existing as well as new industrial units are entitled to receive transport subsidy on raw materials/finished products imported/exported by them. Quantum of subsidy payable to the units is to be based on the input/output as per their manufacturing capacity fixed at the time of registration of such units by the Director of Industries. Scrutiny of records, however, revealed that the State Governments of Meghalaya and Mizoram made an inadmissible payment of subsidy amounting to Rs 90.70 lakh and Rs 43.05 lakh respectively to seven industrial units on the transportation of raw materials and finished products imported/ exported in excess of their approved manufacturing capacity. The DIPP reimbursed the same. The inadmissible amount of Rs 1.34 crore reimbursed by the DIPP needs recovery immediately.

1.1.9 Direct payment of subsidy to industrial unit/disbursing authorities in contravention of the Scheme

Direct payment of Rs 76.16 lakh to an industrial unit in contravention of the scheme.

1.1.9.1 There was no provision for direct payment of subsidy by the Central Government under the scheme to the industrial units till September 1995. Yet the DIPP made direct payment of Transport Subsidy amounting to Rs 76.16 lakh to M/s Nagaland Pulp and Paper Corporation Limited, Kohima in March 1994.

Direct payment of Rs 35.09 crore to nine industrial units in violation of the provision of the scheme.

The DIPP (in September 1995) issued a notification allowing direct payment by the Central Government to the units prospectively from 1 April 1995. The notification provided that the direct payment to the units should be made only after a single stage scrutiny in association with the Central Government representative especially from the Department of Expenditure. Yet the DIPP made direct payment of subsidy of Rs 35.09 crore between January 1996 and February 1997 to nine units in Assam based on recommendations of the SLC without any association of the Central Government representative as prescribed.

Direct payment of Rs 49.28 crore to disbursing authorities against the provision of the scheme.

1.1.9.2 The DIPP also paid subsidy of Rs 49.28 crore in 26 cases directly to the disbursing authorities of State Governments of Arunachal Pradesh, Assam and Nagaland between March 1996 and February 1999. The Scheme, however, does not allow any direct payment to the disbursing authority. While releasing the payment to the disbursing authorities, the DIPP stipulated that the State Director of Industries shall ensure the payment to the industrial unit and furnish a compliance report and utilisation certificate to the Central Government. No such compliance reports as well as the utilisation certificates from the State Director of Industries were, however, found on record in respect of Rs 45.65 crore (92.5 per cent). The DIPP also failed to pursue the matter with the concerned State Governments to obtain the requisite certificates. The DIPP stated (November 2000) that because of the unduly long time taken by the State Governments in disbursement of the subsidy even from the advance made available, the responsibility of disbursement has since been passed on to the North Eastern Development Finance Corporation (NEDFC). The NEDFC became operational in May 2000.

Non-disbursement of transport subsidy amounting to Rs 93.55 lakh to the deponent industrial units.

1.1.9.3 Industrial Development Corporation (disbursing authority) of Assam State received Rs 35.40 crore directly from the Central Government during 1996-97 to 1998-99 on the directives of Guwahati High Court for further disbursement to the deponent industrial units. Out of this, a sum of Rs 93.55 lakh was still (September 2000) pending for disbursement but the DIPP had not taken any action to get the undisbursed amount refunded.

1.1.10 Advance payment of subsidies

1.1.10.1 The Transport Subsidy Scheme works on reimbursement basis and no provisions exist for the payment of subsidy in advance or any financial assistance for settling the pending transport subsidy claims to any State Government/Industrial Unit. The DIPP, however, made the following advance payments/financial assistance to the Government of Assam.

Rs in crore

Date of Sanction	Amount sanctioned
25.6.1997	4.00
15.1.1998	1.71
16.1.1998	2.91
9.2.1998	4.06
25.8.1998	3.63
25.8.1998	4.04
25.8.1998	0.65
Total	21.00

Advance payment of Rs 17 crore to Assam Government without the approval of the competent authority.

The advance payment of Rs 4 crore in June 1997 was made with the approval of Industry Minister and the concurrence of Department of Expenditure with the condition that the State Government would submit the utilisation certificate as well as the claims paid out of it. While considering the proposal for advance payment of Rs 4 crore, it was decided that in sanctioning further advance to the State Governments in exceptional circumstances when they are unable to

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entertain subsidy claims on account of resource crunch, the request may be considered on merits of each case with the approval and concurrence of the Industry Minister and Department of Expenditure respectively. The DIPP in violation of this decision released further advances amounting to Rs 17 crore during the period from January 1998 to August 1998, without the approval of Industry Minister and the concurrence of the Department of Expenditure. No claims have been received in respect of these releases and their utilisation certificates except for Rs 0.29 crore (November 2000). Against the advance of Rs 4 crore released in June 1997, the Assam Government submitted adjustment bills for Rs 3.63 crore in August 1998 without furnishing the details of raw materials and finished products for which the subsidy was claimed as well as utilisation certificates. The DIPP admitted these claims without proper scrutiny.

Decisions of the DIPP for sanctioning advance payment/financial assistance to Assam Government frequently in violation of direction of Department of Expenditure was unjustified and requires fixing responsibility for those accountable for these decisions. There are no records in the DIPP to satisfy itself that the Assam Government was making timely reimbursement to the eligible claimants from the advance payments released to them.

Advance payment of rupees one crore without the concurrence of Department of Expenditure.

1.1.10.2 Audit also found that an advance of rupees one crore was sanctioned and paid to the State Government of Arunachal Pradesh in December 1998 to settle pending claims without the concurrence of the Department of Expenditure.

Advance payment of subsidy of Rs 15.35 crore to M/s. HPC Ltd. against the provision of the scheme.

1.1.10.3 An advance payment of Rs 12.35 crore was directly made to M/s. Hindustan Paper Corporation Limited in March 1995 by the Ministry but the file leading to the issue of the sanction for this advance was not available with the DIPP. The DIPP did not scrutinise the claims received against this advance. The claim papers were filed without verifying their correctness. It was also noticed that Ministry on two earlier occasions i.e. March 1992 and October 1994 released advance payment of Rs 3 crore directly to M/s. Hindustan Paper Corporation Limited. The DIPP could not produce the claim papers received against these advances.

1.1.11 Reimbursement of subsidy claims without the approval of the competent authority

Reimbursement of Rs 2.03 crore without the approval of the competent authority.

The DIPP made reimbursement of Rs 2.03 crore to Himachal Pradesh in August 1998 without obtaining the approval of the Secretary as prescribed by an internal delegation of the powers of sanction in the Department. The DIPP admitted (November 2000) that the approval of the Secretary (IPP) could not be obtained inadvertently.

1.1.12 Payment of Time barred claims

Reimbursement of Rs 2.21 crore for time barred claims.

The DIPP in a circular issued in May 1993 advised all the State Governments/Union Territories not to accept the claims of transport subsidy filed one year after the date of incurring the expenditure. Despite the

reiteration of this order in May 1994, the State Governments of Arunachal Pradesh and Mizoram disbursed an amount of Rs 2.17 crore and Rs 0.04 crore in June 1997 to March 1999 and March 1999 respectively to nine industrial units who submitted their claims after expiry of the stipulated period of one year. The same was reimbursed by the DIPP to the respective State Governments between August 1998 and July 1999. The reimbursement of time barred claims amounting to Rs 2.21 crore to the State Government of Arunachal Pradesh and Mizoram was thus irregular.

1.1.13 Payment of subsidy to Cattle/Poultry feed units

A number of units engaged in production of Cattle/Poultry feed were claiming subsidy for transportation of wheat-bran, Rice-bran, Oil-cakes and maize etc. from designated rail head to the location of the respective units. A sum of Rs 8.23 crore on this account was reimbursed to the State Governments of Himachal Pradesh, Jammu and Kashmir, Meghalaya and Tripura as detailed in **Annex - III** between March 1995 and September 1999. These units, however, were not claiming subsidy on finished products. Interestingly, the DIPP in another scheme viz., 'Central Investment Subsidy' which also had the same objective as that of 'Transport Subsidy Scheme' had in September 1988 treated Cattle/Poultry feed production as non-manufacturing activity. The DIPP, however, did not issue a similar amendment to the Transport Subsidy Scheme. On this being pointed out in Audit, the DIPP stated (November 2000) that Cattle/Poultry feed industry has been defined as a manufacturing activity under the National Industrial Classification of All Economic Activities 1987 and, therefore, had been rightly allowing reimbursement to the State Governments. The DIPP's reply is not convincing as it had in September 1988 i.e. after the publication of National Industrial Classification of All Economic Activities treated Cattle/Poultry feed production as a non-manufacturing activity in the case of Central Investment Subsidy Scheme, which had the same objective. The DIPP, therefore, needs to review the payment of transport subsidy to units engaged in production of cattle and poultry feed in the light of its earlier decision in the context of Central Investment Subsidy Scheme.

1.1.14 Delay in payment of transport subsidy

The TSS is an important instrument for promoting industrialisation in the inaccessible and remote locations of backward regions. The scheme's principal beneficiaries are mostly Small Scale Industries. Therefore, there was a need for timely disbursement of transport subsidy especially in the initial years as this would have helped these Small Scale Industries to reinvest these payments into their business.

It was, however, noticed that the State/DIPP considerably delayed the payment of transport subsidy. A test check of claims of over 600 units revealed that in 370 units covering claims worth Rs 44.43 crore, the delays ranged from one to 61 months on the part of State Governments and two to 17 months on the part of DIPP as detailed in **Annex - IV**. Such delays had defeated the purpose of rendering substantial incentives to these Industrial Units as stipulated in the scheme.

1.1.15 Non-maintenance of subsidy payment records

The DIPP reimburses transport subsidy only on the basis of a certificate issued by the Director of Industries of the respective State Government stating that the subsidy now claimed relates to the period for which subsidy has not yet been reimbursed by the Government of India. The DIPP, however, does not maintain any record regarding industrial unit-wise transport subsidy paid, the period for which the subsidy relates and the advance payment made, if any. In the absence of such record, it is not possible to verify whether the claims to be paid had already been paid earlier leading to possible double payments.

1.1.16 Conclusion

The scheme seems to be serving the interests of a few without any particular effect on growth of Industry. Disbursements were modest for the first 21 years (Rs 6 crore per year) and jumped ten fold (Rs 64 crore) during the last six years when all pretense to scrutinise/supervise was given up by DIPP. This review shows that during this time large amounts and numerous cases of sanctions by DIPP were highly questionable. There is evidence of the scheme being not needed because some units were able to recover the transport cost from purchasers thus rendering its rationale suspect.

1.1.17 Recommendations

There is a strong case for immediate review and closure of the scheme.

Annex - I
(Refers to paragraphs 1.1.3 and 1.1.4)

Statement indicating the year-wise and state-wise reimbursement made under Transport Subsidy Scheme

Rs in lakh

S. No.	Name of the State/UT	Upto 1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	Total
1.	Assam	5229.97	2217.90	3861.10	2061.89	2548.61	1250.53	1195.24	18365.24
2.	Manipur	147.43	128.70	.....	.....	18.96	24.41	4.01	323.51
3.	Tripura	186.19	132.99	2.60	28.50	78.19	51.40	26.19	506.06
4.	Arunachal Pradesh	444.22	47.66	....	267.42	1243.55	277.21	606.46	2886.52
5.	Meghalaya	296.42	250.10	195.88	190.66	506.55	127.45	703.96	2271.02
6.	Nagaland	792.51	67.80	....	....	970.01	1169.19	649.02	3648.53
7.	Mizoram	372.06	272.32	405.30	...	...	103.29	347.22	1500.19
8.	Sikkim	346.96	...	123.24	36.43	129.82	...	...	636.45
9.	Himachal Pradesh	3298.57	1809.57	36.88	973.19	824.77	4814.06	4650.79	16407.83
10.	Jammu and Kashmir	774.21	334.79	...	466.30	138.62	594.51	280.23	2588.66
11.	Uttar Pradesh	850.08	85.35	...	600.95	0.92	45.13	...	1582.43
12.	Andaman and Nicobar	1707.24	1.49	375.00	197.48	...	...	...	2281.21
13.	Laksha-Dweep	...	...	...	..	...	...	....	....
14.	W. Bengal (Darjeeling)	...	...	...	....	....	42.82	36.88	79.70
	Total	14445.86	5348.67	5000.00	4822.82	6460.00	8500.00	8500.00	53077.35

Annex - II
(Refers to paragraph 1.1.7)

Details showing the reimbursement made in respect of the wood based industries

S. No.	Name of the State	Sanction No. and date	No. of Units	Amount reimbursed (Rupees)
1	Arunachal Pradesh	13/55/97/DBA-II dated 17.8.1998	5	1596667
2	Assam	13/39/96/DBA-II dated 30.1.1997	6	21127280
3	Himachal Pradesh	13/32/97/DBA-II dated 9.9.1997	1	6418
4	Jammu and Kashmir	13/32/96/DBA-II dated 4.1.1997	1	33734
5	Jammu and Kashmir	13/47/DBA-II dated 14.8.1998	1	22403
6	Jammu and Kashmir	13/40/DBA-II dated 23.10.1998	1	59886
7	Manipur	13/23/98/DBA-II dated 7.8.1998	1	579538
8	Manipur	13/23/98/DBA-II dated 13.10.1999	1	103855
9	Meghalaya	13/9/97/DBA-II dated 14.8.1998	2	6233031
10	Nagaland	13/11/97/DBA-II dated 18.5.1998	4	8955000
11	Nagaland	13/37/97/DBA-II dated 8.5.1998	9	15562000
12	Nagaland	13/41/97/DBA-II dated 12.8.1998	3	11369000
13	Nagaland	13/2/98/DBA-II dated 27.8.1998	13	10992000
14	Nagaland	13/3/98/DBA-II dated 28.8.1998	8	2820000
15	Nagaland	13/6/98/DBA-II dated 28.8.1998	4	18908000
		Total	60	98368812

Annex - III
(Refers to paragraph 1.1.13)

Details showing the reimbursement made to the units engaged in the Cattle/Poultry Feed Production

S. No	Name of the State	Sanction No. and date	No. of Units	Amount reimbursed (Rupees)
1.	Himachal Pradesh	13/34/96/DBA.II dated 2.1.1997	1	63891
2.	Himachal Pradesh	13/26/98 /DBA.II dated 21.10.1998	1	47701
3.	Himachal Pradesh	13/2/99 /DBA.II dated 30.3.1999	1	62359
		Total	3	173951
4.	Jammu and Kashmir	13/3/93/DBA.II dated 31.3.1995	5	2127665
5.	Jammu and Kashmir	13/31/93/DBA.II dated 31.3.1995	15	3870342
6.	Jammu and Kashmir	13/21/91/DBA.II dated 16.6.1995	1	1874652
7.	Jammu and Kashmir	13/14/95/DBA.II dated 5.8.1996	17	1393393
8.	Jammu and Kashmir	13/16/95/DBA.II dated 5.8.1996	6	1015184
9.	Jammu and Kashmir	13/21/94/DBA.II dated 28.11.1996	8	1843000
10.	Jammu and Kashmir	13/31/96/DBA.II dated 2.1.1997	19	5051126
11.	Jammu and Kashmir	13/32/96/DBA.II dated 2.1.1997	4	1360000
12.	Jammu and Kashmir	13/34/95/DBA.II dated 2.1.1997	19	3989775
13.	Jammu and Kashmir	13/34/95/DBA.II dated 2.1.1997	16	3473775
14.	Jammu and Kashmir	13/4/97/DBA.II dated 9.7.1997	22	5670365
15.	Jammu and Kashmir	13/3/97/DBA.II dated 9.8.1997	11	1547921
16.	Jammu and Kashmir	13/45/97/DBA.II dated 18.5.1998	27	11502508
17.	Jammu and Kashmir	13/3/97/DBA.II dated 1.6.1998	7	1082548
18.	Jammu and Kashmir	13/47/97/DBA.II dated 14.8.1998	1	214029
19.	Jammu and Kashmir	13/40/97/DBA.II dated 18/23.8.1998	35	30264300
20.	Jammu and Kashmir	13/21/98/DBA.II dated 7.9.1998	1	1556000
		Total	214	77836583
21.	Meghalaya	13/3/95/DBA.II dated 31.3.1995	1	125874
22.	Meghalaya	13/3/95/DBA.II dated 19.2.1996	-	114081
23.	Meghalaya	13/36/96/DBA.II dated 4.8.1997	1	796203
24.	Meghalaya	13/36/96/DBA.II dated 26.9.1997	-	99006
25.	Meghalaya	13/36/96/DBA.II dated 26.9.1997	-	240963
26.	Meghalaya	13/6/99/DBA.II dated 15.6.1999	-	328661
27.	Meghalaya	13/6/99/DBA.II dated 6.9.1999	-	974915
		Total	2	2679703
28.	Tripura	13/4/96/7DBA.II dated 14.1.199	1	275859
29.	Tripura	13/23/97/DBA.II dated 9.7.1997	1	520590
30.	Tripura	13/29/98/DBA.II dated 11.11.1998	2	822231
		Total	4	1618680
		Grand Total	223	82308917

Annex IV
(Refers to paragraph 1.1.14)

Statement showing the delay in payment of transport subsidy by the State Government/DIPP

Sl. No.	State	No. of units	Period of claim	Amount of subsidy (Rs in lakh)	Delay on the part of State Govt. from the date of SLC meeting (Months)	Delay on the part of DIPP from the date of receipt of claim (Months)
1.	Assam	44	1/88 to 6/95	1167.70	9 to 61	2 to 16
2.	Himachal Pradesh	150	3/91 to 12/96	2473.17	3 to 48	6 to 12
3.	Jammu and Kashmir	157	4/91 to 6/96	482.15	5 to 32	7 to 17
4	Manipur	2	9/93 to 5/95	18.97	3	8
5.	Nagaland	10	4/90 to 3/93	171.62	1	10
6	Sikkim	7	4/93 to 3/95	129.82	3	5
Total		370		4443.43		

Department of Commerce

1.2 Marketing Development Assistance

Marketing Development Fund was introduced in the year 1963 (renamed as Marketing Development Assistance (MDA) in October 1975) to stimulate and diversify exports, trade and to market Indian products in foreign countries. The MDA grants are utilised through 19 Export Promotion Councils and other approved organisations on the basis of specific project proposals submitted by them. The failure of the Ministry in exercising astute financial scrutiny resulted in questionable payment of MDA grants amounting to Rs 64.66 crore. The Ministry has no information about the impact of the assistance given to the councils/institutions etc. on export promotion and also the impact on export promotion as a result of participation in fairs/exhibitions sales cum study tours etc.

Highlights

Rs 36.89 crore was released to 17 EPC's though they were not eligible to get the grant.

Non-observance of the prescribed norms resulted in release of excess grants of Rs 7.37 crore.

Grant of Rs 1.17 crore released to four EPC's during 1994-95 to 1998-99 was not admissible.

Excess grant of Rs 1.71 crore was released to two Councils without considering the income received from the traders.

Non deduction of revenue received on account of publication had resulted in excess release of grant of Rs 0.33 crore to GEJEPC and CHEMEXCIL.

Irregular payment of grant of Rs 0.97 crore to CHEMEXCIL, Mumbai on non-code activities during the years 1995-96 to 1998 -99.

Rs 4.75 crore was released irregularly to meet the establishment cost of surplus staff of Export Inspection Agency, Calcutta.

Irregular/unjustified release of grants amounting to Rs 11.47 crore to ITPO.

The Ministry had no information about the impact of the assistance given to the Councils, institutions, organisations, etc and achievement of the programme.

Introduction

1.2.1 With a view to stimulate and diversify exports, trade and to market Indian products and commodities in foreign countries, the Ministry of Commerce and Industry, Department of Commerce introduced “Marketing Development Fund” in the year 1963 (renamed as Marketing Development Assistance’ (MDA) in October 1975). MDA grants are utilised through 19 Export Promotion Councils (EPC), Grantee Institutions/approved organisations such as Indian Institute of Foreign Trade (IIFT), Indian Institute of Packaging (IIP), Indian Diamond Institute (IDI), India Trade Promotion Organisation (ITPO) and Federation of Indian Export Organisations (FIEO) for :

- market research, commodity research, area survey and research programmes,
- export publicity and dissemination of trade related information;
- participation in trade fairs and exhibitions;
- sponsoring trade delegations and study teams;
- establishment of offices and branches in countries abroad;
- Grants-in-aid to Export Promotion Councils and other approved organisations for the development of exports and the promotion of foreign trade;
- any other schemes which are generally considered to promote the development of markets for Indian products and services abroad.

Procedure for release of grants

1.2.2 MDA allocation/budgets including specific special development and promotion projects submitted by the Export Promotion Councils and approved organisations are finalised in annual meetings with the respective EPC and grantee institutions, chaired by Additional Secretary and Financial Advisor of the Department of Commerce. Proposals for adhoc grants for export promotion activities to promote exports of Indian products and commodities are examined by the MDA division and decided with the approval of Additional Secretary in charge of the MDA in the Ministry. According to the Scheme, effective from 1 April 1998 MDA Committee under the chairmanship of Director (MDA) with Deputy Secretary (Finance), Deputy Secretary from one commodity division on annual rotation basis as Member Secretary, also approves the proposals of the reimbursement of MDA to individual exporters on receipt of specific recommendations from FIEO, EPC’s etc.

Scope of Audit

1.2.3 The records of the Department of Commerce, 12 Export Promotion Councils (out of 19) and Federation of Indian Export Organisation for the period 1994-2000 were test checked in audit during May – August 2000 with a view to studying the programme objectives, appraisal and selection procedures, monitoring the performance of grant recipients and programme achievements.

Financial outlay

1.2.4 MDA grants of Rs 127 crore were released to Export Promotion Councils and other grantee Institutions during 1994-95 to 1999-2000. The MDA grants released during 1994-95 to 1999-2000 (yearwise) to each EPC and grantee institution are detailed in **Annex –I**.

Release of Grant beyond the stipulated period

1.2.5 The MDA grants were released by the Department as per quantum and pattern prescribed in “Code of grants-in-aid for export efforts”. In order to curtail the government expenditure and to make the Export Promotion Councils self supporting and industry run professional bodies, it was decided in February 1992 to withdraw the grants-in-aid in a phased manner from the financial year 1992-93. As per this decision, the grants-in-aid were to be phased out completely in five years at the rate of 20 *per cent* per year, in the case of EPC’s which are more than 10 years old. In the case of EPC’s which are less than ten years old, they have to be phased out completely in seven years (first six years at the rate of 15 percent and balance of 10 *per cent* in the seventh year). This order was made effective from 1 April 1992. However, this was implemented only for the years 1992-93 and 1993-94. During 1994-95, it was decided to stop giving grant for non-code activities (administration) and to allocate the entire MDA grants for code activity. The quantum of grant admissible to each EPC however, was to be worked out in keeping with the phasing out arrangement and accordingly the admissible grant to each EPC was to be worked out on the basis of Budget Estimate 1991-92. The Ministry however, did not issue any formal order to this effect.

As per Ministry’s decision of February 1992, grants to EPCs more than ten years old were to be discontinued from the year 1996-97 and to those less than ten years old from 1998-99. Despite this, the Department released grants of Rs 29.49 crore to 11 EPCs during 1996-97 to 1999-2000 as shown in **Annex-II**, which were more than 10 years old. Rs 7.40 crore was released to 6 EPCs during 1998- 1999 to 1999-2000 which were less than 10 years old (**Annex–III**). This resulted in avoidable payment of grant amounting to Rs 36.89 crore. Ministry stated in February 2001 that funds available were more than required to continue grant to EPCs. It was, therefore, decided with the approval of Commerce Minister to allocate the funds on the relative merits of the export promotion activities submitted by the EPCs. The Ministry’s statement that the funds were released merely on the ground that the funds available with them were more than the requirement is irrelevant and not tenable as this is against the decision of the Government to withdraw the grant-in-aid in a phased manner. This also defeated the objective of making the EPCs self-supporting and industry run professional bodies and to bring the government expenditure of these councils to zero.

Grants of Rs 36.89 crores paid to 17 EPCs in violation of instructions of the Ministry.

Excess release of grant

Excess grant of Rs 7.37 crore was paid to 9 EPC's against the directions of the Ministry.

1.2.6 Department decided in January 1996 to release the grant at the rate of 0.01 percent of the export performance of the previous year for code activities, subject to maximum of Rs 1 crore and minimum of Rs 15 lakh from 1996-97. It was, however, noticed that this decision was not implemented in the case of CAPEXIL, EEPC, PLEXCONCIL, CLE, Gems and Jewelry EPC, Sports goods EPC, Carpet EPC, Handicraft EPC and Cashew EPC. This had resulted in excess release of grant of Rs 7.37 crore during 1996-97 to 1999-2000 (**Annex-IV**). The Ministry stated (February 2001) that the quantum of grants-in-aid was within the limit of 0.01 *per cent* of the total exports of that year. The Ministry's reply is not tenable as the exports performance is to be reckoned on each Export Promotion Council wise and not on total exports of the country during the year.

Release of inadmissible grant of Rs 1.17 crore

1.2.7 As per the MDA Code, 60 percent of the expenditure on approved code activities was to be borne by the Department and the balance 40 *per cent* to be met by the Export Council. This was, however, not observed while finalising on account grants to Electronic and Computer Software EPC, IIP, Gem and Jewellery EPC and EEPC resulting in excess release of grants of Rs 1.17 crore during 1994-95 to 1998-99 (**Annex-V**).

Excess Release of Grant of Rs 1.71 crore to GEJEPC and CHEMEXCIL

1.2.8 According to the "code of Grant-in-aid for Export Efforts", 60 *per cent* of the expenditure incurred, for participation in or organising exhibitions/fairs in India and abroad relating to export efforts by approved organizations, is admissible as grant. The balance is to be met from contribution from Council/trade. Scrutiny of records for the years 1994-95 to 1999-2000 of Gem and Jewellery Export Promotion Council (GEJEPC) and Basic Chemicals, Pharmaceutical and Cosmetics Export Promotion Council (CHEMEXCIL) revealed that they had received more than 40 percent contribution from the exporters for organising exhibitions and trade fairs abroad. In some cases the contribution received from the traders was more than the total expenditure for organising these exhibitions/fairs. Clearly, therefore, these councils should have restricted their claims to actual expenditure minus the contributions received from trade. These Councils however, ignored the contributions received from the traders while claiming grant from Department of Commerce. As a result, grant of Rs 1.71 crore was released in excess to the councils as detailed below:

Excess grant of Rs 1.71 crore was released ignoring the laid down procedure.

GEJEPC, Mumbai*Rs in lakh*

Year	Details of activity	Total expenditure	Contribution from traders	Grant required (3-4)	Grant claimed and released	Excess grant claimed/released (6-5)
1996-97	Exhibition Abroad	51.39	39.77	11.62	30.84	19.22
1997-98	“	127.13	134.08	Nil	76.28	76.28
1998-99	“	40.78	36.28	4.50	24.47	19.97
Total						115.47

CHEMEXCIL*Rs in lakh*

1995-96	--“--	215.48	216.30	Nil	4.00	4.00
1996-97	--“--	135.52	118.14	17.38	22.20	4.82
1997-98	--“--	66.10	64.26	1.84	20.00	18.16
1998-99	--“--	49.02	32.87	16.15	45.00	28.85
Total						55.83
GRAND TOTAL						171.30

1.2.9 Release of excess grant of Rs 0.33 crore

The “Code of Grant-in aid for export effort” provided that only 60 *per cent* of the net expenditure, after taking into account the revenue received from advertisements, for bringing out publications for issue within the country or abroad was admissible as grant. Scrutiny of accounts for the year 1996-97 in respect of Gem and Jewellery Export Promotion Council, Mumbai and CHEMEXCIL revealed that they were paid grants at 60 *per cent* of the expenditure without taking into account the revenue earned from advertisements and sale of publications. This had resulted in release of excess grant of Rs 0.33 crore as detailed below:

GEJEPC, MUMBAI*Rs in lakh*

Year	Expenditure	Revenue	Net expenditure	Grant in aid	Grant in aid admissible	Excess grant claimed
1996-97	33.41	17.86	15.55	20.04	9.33	10.71
1997-98	33.78	11.46	20.32	19.06	12.19	6.87
1998-99	28.80	9.82	18.98	17.28	11.39	5.89
Total						23.47

CHEMEXCIL*Rs in lakh*

1996-97	11.80	1.65	10.15	7.80	6.09	1.71
1997-98	16.21	3.86	12.35	15.00	7.41	7.59
1998-99	26.37	1.41	24.96	15.00	14.98	0.02
Total						9.32
GRAND TOTAL:						32.79

Diversion of grant

1.2.10 The MDA Committee decided in February 1994 that from 1994-95 onwards the grant-in-aid to an Export Promotion Council would be limited to export promotion activities and not for administrative expenditure. The administrative expenditure i.e. expenditure on non code activities was to be met from their own resources. Contrary to these instructions CHEMEXCIL Mumbai was paid grant of Rs 0.97 crore on non-code activities during the years 1995-96 to 1998-99.

Release of Rs 4.75 crore to meet the establishment cost of surplus staff

1.2.11 The MDA code does not allow the release of grant for meeting establishment cost and other activities not relating to export promotions. However, contrary to these instructions the establishment cost of 256 employees of Export Inspection Agency, Calcutta declared as surplus in 1979 amounting to Rs 4.75 crore for the period 1985-86 to 1994-95 was met through MDA grants.

Irregular release of grant to India Trade Promotion Organisation

1.2.12 The Department of Commerce had been providing budgetary support to India Trade Promotion Organisation (ITPO) upto 1993-94 under the plan head for reimbursement of its losses. Provisions made for financial support to ITPO during the years 1994-95 and 1995-96 were not agreed to by Ministry of Finance, in view of the reserves and surpluses of ITPO. They also maintained that no further release would be considered unless the funds already available with it were spent. Department Of Expenditure, Ministry of Finance decided in January 1997 that concerned Department on whose behalf the fair/exhibition was organised by ITPO would bear the loss on that fair. The losses on fairs amounting to Rs 11.47 crore during 1996-97 to 1999-2000 were however, met through MDA grants (Non Plan) instead of from the unutilized surplus funds of Rs 154.17 crore as on 31st March, 1999 with ITPO. As there is no provision in MDA code for meeting the expenditure on losses suffered in ITPO fairs the release of Rs 11.47 crore to ITPO was irregular. The Ministry stated (February 2001) that they had not released any MDA grant to ITPO except the deficit amount on the organisation of various fairs/exhibitions, which ITPO had organised on specific behest of the Ministry of Commerce. It is relevant to mention in this connection that as per Finance Ministry's decision of January 1997 any losses on fairs/exhibitions organised by ITPO was to be borne by the concerned Ministry on whose behalf the fairs/exhibitions was organised. This decision is equally applicable to Ministry of Commerce. Clearly, therefore, losses suffered by ITPO in respects of fairs/exhibitions organised on behalf of Ministry of Commerce was to be borne from that Ministry's budget and not from MDA grant.

Decline in Exports

1.2.13 The Ministry of Commerce released grants-in-aid to various EPCs to boost the export of the products and commodities, Rs 27.48 crore as MDA grants-in-aid to 11 EPCs during 1996-97 to 1998-99 was released as indicated

Rs 4.75 crore was paid for establishment cost not covered under the scheme.

Release of grant of Rs 11.47 crore to ITPO in violation of instructions of Ministry of Finance.

Non achievement of export targets by 11 EPC's.

in **Annex-VI**, the export of these EPCs declined during 1996-97 to 1998-99. The shortfall in exports target was upto 30.15 *per cent* for these EPCs as indicated in **Annex-VII**.

Delay in finalisation of “on account” grants

1.2.14 The accounts of grants sanctioned and released by the Ministry were required to be finalised at the end of each year taking into account the expenditure/utilisation so that recoveries/adjustments are carried out in the grants of subsequent year. However, it was seen that in the case of following EPCs grants amounting to Rs 563.81 lakh relating to the years 1996-97 to 1998-99 had not been finalised till August 2000.

Rs in lakh

Sl. No	Name of EPC	Year for which grants not finalised	Grants released
1.	Carpet EPC	1996-97	21.25
		1997-98	51.00
		1998-99	48.00
2.	EPC for Handicrafts	1996-97	23.40
		1997-98	150.00
3.	Powerloom Development EPC	1997-98	36.00
		1998-99	45.00
4.	Indian Council of Arbitration	1997-98	8.00
		1998-99	19.56
5.	Wool and Woolen EPC	1998-99	61.60
6.	CHEMEXCIL	1998-99	100.00
Total			563.81

Due to the delays in finalisation of accounts of MDA grants, exact amount of grant admissible to these EPC's could not be ascertained.

Monitoring

1.2.15 The grants-in-aid from MDA were released to the Councils for export promotion. The Ministry had, however, no information about the impact of the assistance given to the Councils for export promotion as it did not call for any information regarding the extent to which participation in fairs/exhibitions had helped in securing orders from the foreign market or in capturing new markets. The Councils also did not submit any reports regarding the impact on export promotion as a result of sales-cum-study tour etc. for examination and further dissemination in order to benefit the industry.

Non-maintenance of subsidiary accounts of the grants received

1.2.16 In terms of General Financial Rules, the institutions or bodies receiving Govt. grants, irrespective of amount involved are required to maintain subsidiary accounts of such grants. All the EPCs/grantee Institutions test checked in Audit did not, however, maintain such subsidiary accounts for the grants received from the Govt. The Ministry stated (February 2001) that all the EPCs were being directed to maintain subsidiary accounts from this year onwards.